

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 041045Z FEB 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 4832

C O N F I D E N T I A L PHNOM PENH 1667

EXDIS

FOR STATE/AID

E.O. 11652: GDS

TAGS: EAID, EFIN, CB

SUBJECT: IMF PRESENCE IN CAMBODIA

REF: STATE 021545/011706Z FEB 74

1. WITHOUT QUESTION, WITHDRAWAL OF THE IMF RES REP WOULD BE BLOW TO GKR AT A TIME WHEN IT IS MAKING CONCERTED EFFORT TO RETAIN ITS INTERNATIONAL LEGITIMACY. WE ARE UNABLE TO ESTIMATED WITH ANY CONFIDENCE THE IMPACT ON JAPANESE ATTITUDES; AT A MINIMUM, IMF WITHDRAWAL LIKELY TO LEAD TO FURTHER JAPANESE REVIEW OF ITS

CONTRIBUTION AND BUILD IN ADDITIONAL DELAYS; JAPANESE PULL OUT AT THIS STAGE WOULD SEEM IMPROBABLE.

2. THERE IS A FUNDAMENTAL CONFLICT BETWEEN THE NOTION THAT THE IMF "WILL PROVIDE ECONOMIC ADVICE" TO THE RNR AND THE FACT THAT THE U.S. IS NOW PROVIDING ALMOST \$600 MILLION A YEAR IN MILITARY, ECONOMIC, AND AGRICULTURAL ASSISTANCE AND THUS CANNOT IGNORE BUDGETARY AND ECONOMIC POLICY DECISIONS WHICH AFFECT WAY IN WHICH THAT ASSISTANCE IS USED.

3. OUR IMPRESSION, LIKE YOURS, IS THAT MUCH OF THE PROBLEM STEMS FROM THE FAILURE OF EVERS TO IMPLEMENT THE FUND POSITION, OR RATHER, TO BE MORE PRECISE, FROM THE FAILURE OF THE FUND TO INSTRUCT HIM PROPERLY.

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4. WAY OUT OF THIS DILEMMA IS, IT SEEMS TO US, FOR IMF TO ISSUE MORE PRECISE INSTRUCTIONS TO RES REP WHICH WOULD ENABLE HIM TO PLAY A USEFUL ROLE IN WHICH IMF HAS WELL ESTABLISHED EXPERTISE. THESE INSTRUCTIONS SHOULD:

(A) EMBODY U.S./IMF AGREEMENT (PREFERABLY A FORMULA) ON THE EVOLUTION OF THE EXCHANGE RATE OVER TIME. THIS IS THE NUB OF OUR DISAGREEMENT WITH EVERS; IT IS COMPLETELY NON-NEGOTIABLE AS FAR AS WE ARE CONCERNED; IT IS APPROPRIATE THAT IT BE SETTLED BY HEADQUARTERS;

(B) ORIENT THE RES REP TOWARDS THE ONE AREA IN WHICH THE IMF CAN MAKE THE GREATEST CONTRIBUTION

(THE RATIONALIZATION

AND IMPROVEMENT OF CUSTOMS AND TAXES AND THE PROCESSES ASSOCIATED WITH BUDGET PREPARATION AND EXECUTION) AND

(C) INSTRUCT THE RES REP NOT TO EXPRESS A VIEW ON THE UTILITY OR DISUTILITY OF MILITARY EXPENDITURE ITEMS OR OTHER WAR-RELATED EXPENDITURES INCLUDED IN THE BUDGET (SUCH AS COMBAT PAY FOR COMBAT TROOPS ON WHICH HE HAS OPPOSED US) BUT TO CONCENTRATE ON THE PROBLEM OF OVER ALL BUDGETARY BALANCE. (NOTE THAT ONE OF EVERS' SIGNAL FAILURES IS TO PROMOTE THE STABILIZATION PROGRAM THE FUND INTENDED;

HE HAS BEEN CONSISTENTLY SOFTER THAN WE ON RAISING REVENUES THROUGH INCREASE IN THE PRICES OF UTILITIES AND STATE CONTROLLED COMMODITIES AND THROUGH DEVALUATION OF THE RIEL.)

5. WITHIN THE FRAMEWORK OF SUCH INSTRUCTIONS, THE RES REP SHOULD BE A VALUABLE ADDITION TO THE JOINT ECONOMIC COMMITTEE RECOGNIZING THAT MAIN WORK OF COMMITTEE IS TO DEAL WITH BILATERAL ECONOMIC AID PROGRAMS.

6. WE HOPE YOU WILL GIVE THIS ALTERNATIVE SERIOUS THOUGHT. SHOULD IT FAIL, OUR NEXT PREFERENCE WOULD BE TO PUT THE RES REP ON A REGIONAL BASIS, WITH TOMASSON HANDLING BOTH SAIGON AND PHNOM PENH.

ALTHOUGH HIS VIEWS DO NOT ALWAYS COINCIDE WITH OUR OWN, TOMASSON IS A VIGOROUS PROBLEM SOLVER AND HIS PERFORMANCE WOULD BE GREATLY SUPERIOR TO EVERS'. LIKE YOU, WE WOULD MUCH PREFER TO AVOID ELIMINATING THE RES REP ROLE ALTOGETHER. FALLING BACK TO PERIODIC VISITS

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BY CHABRIER WOULD BE FGSL POSITIONS, AND WE WOULD NOT PARTICULARLY EXPECT MAJOR POLICY PROBLEMS WITH CHABRIER WITH WHOM WE HAVE SEXRD# TO BE MORE IN AGREEMENT THAN EITHER HE OR WE WITH EVERS.
ENDERS

NOTE BY OCT: PHNOM PENH 1667 #AS RECEIVED.
WILL BE SERVICED ON REQUEST.

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 27 JUL 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TROOP DEPLOYMENT, DISPUTES, FOREIGN ASSISTANCE, MILITARY EXERCISES, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PHNOM01667
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P740146-0679
From: PHNOM PENH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740268/abbrzbhv.tel
Line Count: 106
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: STATE 021545/011706Z FEB 74
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUL 2002 by martinml>; APPROVED <27 NOV 2002 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IMF PRESENCE IN CAMBODIA
TAGS: EAID, EFIN, CB, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005